

Falmouth Investment Regulations

PERAC Approval Date	Regulation Number	Supplemental Investment Regulation
October 12, 2001	16.08	<p>Exemption of the Board and INVESCO from the second sentence of 840 CMR 17.04(1)(c) –This Regulation deals with the use of non-public information by managers and consultants. PERAC recognizes that, in making the investments contemplated by the INVESCO Funds delineated above, that sentence, which prohibits action until information is publicly disseminated, represents an undue burden on the ability of the Partnerships to operate. Consequently, the Falmouth Retirement Board’s request as it applies to 840 CMR 17.04(1)(c) is approved.</p> <p>Exemption of the Board and INVESCO from 840 CMR 17.04(6), except as otherwise provided for in the Partnership Agreement and/or as disclosed in INVESCO’s Form ADV – This Regulation deals with the Priority of Transactions and an investment manager’s obligation to prioritize board transactions and provide the board with the opportunity to act prior to the manager acting, if applicable. PERAC recognizes that this Regulation may impede the ability of partnerships such as INVESCO’s to operate. Upon receipt of a copy of the provisions of the Partnership Agreement and/or disclosures in the INVESCO Form ADV, the Commission will approve the Falmouth request as it applies to 840 CMR 17.04(6).</p> <p>Exemption of the Board and INVESCO from 840 CMR 19.01(7)(a)(6) with respect to the management fees and the General Partner’s Carried Interest to be received by the manager or the General Partner pursuant to the (a) Subscription Agreement, (b) Agreement as defined in the side letter, and/or (c) Manager’s Investment Advisory Agreement with respect to the Board’s commitments to the Partnerships –PERAC recognizes the fact that the market, at the present time, is such that fee limitations, as outlined in these Regulations, result in limiting the number of partnerships available to the retirement boards. Consequently, the Falmouth Retirement Board’s request, as it applies to 840 CMR 19.01(7)(a)(6), is</p>

		<p>approved.</p> <p>Exemption of the Board and INVESCO from 840 CMR 21.01(2), 21.01(3)(a), 21.01(4), and 21.01(5) to the extent as otherwise permitted under the applicable agreement – These Regulations prohibit certain transactions as follows: 21.01(2) prohibits the sale of securities not owned by the system at the time of the sale (short sales); 21.01(3)(a) permits the use of forward currency contracts in limited circumstances; 21.01(4) prohibits the use of calloptions; 21.01(5) prohibits the purchase of options other than as required to close out option positions. PERAC has received a letter dated August 22, 2000 from INVESCO that clarifies the possible use of options, futures, or other derivatives. In pertinent part, the letter states as follows: “Although the above referenced funds do not expect to use options, futures, or other derivatives other than infrequently, if at all, futures and/or options would be used only for nonspeculative true hedging purposes. In general, we would anticipate their use, if at all, for among other reasons to protect downside risk on public securities of companies distributed to the funds by the underlying portfolio funds we invest in and where a commitment to a fund was made in a non US currency to limit currency risk of the funds.”</p> <p>PERAC approves the exemption of the Falmouth Retirement Board and INVESCO from 840 CMR 21.01(2), 21.01(3)(a), 21.01(4), and 21.01(5) for the limited purpose of protecting downside risk on public securities of companies distributed to the funds by underlying portfolio funds and to limit currency risk of the funds where a commitment to a fund was made in a non US currency.</p> <p>Please be advised that this Supplemental Regulation as it exempts the Falmouth Retirement Board from PERAC Regulations, only does so in relation to the INVESCO Funds that are the subject of the Supplementary Regulation. In all other circumstances, these Regulations apply to the Falmouth Retirement Board.</p> <p>The Supplementary Regulations approved herein are applicable only to the Falmouth Retirement</p>
--	--	--

		System's investment in the INVESCO Venture Partnership Fund, the INVESCO U.S. Buyout Partnership Fund, and the INVESCO Non-U.S. Partnership Fund. Exemption from the regulations pertaining to prohibited investments is limited to the purpose of protecting downside risk on public securities of companies distributed to the funds by underlying portfolio funds and to limiting currency risk of the funds where a commitment to a fund was made in a non-U.S. currency.
August 31, 2001	16.08	In accordance with PERAC Investment Guideline 99-2, the Falmouth Retirement System is modifying its international growth equity mandate with State Street Global Advisors to allow for securities lending. There is no change in the fund's investment strategy, investment universe, or benchmark. The Board understands and is comfortable with the practice of securities lending and is satisfied with State Street Bank's capabilities in this area.
August 8, 2000	16.08	In accordance with PERAC Investment Guideline 99-2, the Falmouth Retirement Board may modify its investment mandate with Cutler & Company, its domestic large cap equity manager, to allow for the opportunistic use of mid cap equities when and as deemed appropriate by the manager. The Board has had a successful relationship with Cutler & Company since 1997 and is confident, based on the manager's performance record, that it can effectively accomplish the modified, slightly expanded, mandate.
May 1, 2000	16.08	In accordance with PERAC Investment Guideline 99-2, the Falmouth Retirement Board may modify its fixed income mandate with Freedom Capital Management to allow the opportunistic investment of up to 15% of the account in high-yield securities. The Board wishes to have exposure to this sub-class and has had a satisfactory relationship with Freedom Capital for over two years as its fixed income manager.